

1 courses for use by disabled persons authorized to use such  
2 courses.

### 3 **Subtitle F—Other Matters**

#### 4 **SEC. 670. LIMITATIONS ON TERMS OF CONSUMER CREDIT** 5 **EXTENDED TO SERVICEMEMBERS AND DE-** 6 **PENDENTS.**

7 (a) **TERMS OF CONSUMER CREDIT.**—Chapter 49 of  
8 title 10, United States Code, is amended by adding at the  
9 end the following new section:

#### 10 **“§ 987. Terms of consumer credit extended to mem-** 11 **bers and dependents: limitations**

12 “(a) **INTEREST.**—A creditor who extends consumer  
13 credit to a covered member of the armed forces or a de-  
14 pendent of such a member shall not require the member  
15 or dependent to pay interest with respect to the extension  
16 of such credit, except as—

17 “(1) agreed to under the terms of the credit  
18 agreement or promissory note;

19 “(2) authorized by applicable State or Federal  
20 law; and

21 “(3) not specifically prohibited by this section.

22 “(b) **ANNUAL PERCENTAGE RATE.**—A creditor de-  
23 scribed in subsection (a) may not impose an annual per-  
24 centage rate of interest greater than 36 percent with re-

1 spect to the consumer credit extended to a covered mem-  
2 ber or a dependent of a covered member.

3 “(c) MANDATORY LOAN DISCLOSURES.—

4 “(1) INFORMATION REQUIRED.—With respect  
5 to any extension of consumer credit (including any  
6 consumer credit originated or extended through the  
7 internet) to a covered member or a dependent of a  
8 covered member, a creditor shall provide to the  
9 member or dependent the following information oral-  
10 ly and in writing before the issuance of the credit:

11 “(A) A statement of the annual percentage  
12 rate of interest applicable to the extension of  
13 credit.

14 “(B) Any disclosures required under the  
15 Truth in Lending Act (15 U.S.C. 1601 et seq.).

16 “(C) A clear description of the payment  
17 obligations of the member or dependent, as ap-  
18 plicable.

19 “(2) TERMS.—Such disclosures shall be pre-  
20 sented in accordance with terms prescribed by the  
21 regulations issued by the Board of Governors of the  
22 Federal Reserve System to implement the Truth in  
23 Lending Act (15 U.S.C. 1601 et seq.).

24 “(d) PREEMPTION.—

1           “(1) INCONSISTENT LAWS.—Except as provided  
2           in subsection (f)(2), this section preempts any State  
3           or Federal law, rule, or regulation, including any  
4           State usury law, to the extent that such law, rule,  
5           or regulation is inconsistent with this section, except  
6           that this section shall not preempt any such law,  
7           rule, or regulation that provides protection to a cov-  
8           ered member or a dependent of such a member in  
9           addition to the protection provided by this section.

10           “(2) DIFFERENT TREATMENT UNDER STATE  
11           LAW OF MEMBERS AND DEPENDENTS PROHIB-  
12           ITED.—States shall not—

13                   “(A) authorize creditors to charge covered  
14                   members and their dependents annual percent-  
15                   age rates of interest for loans higher than the  
16                   legal limit for residents of the State; or

17                   “(B) permit violation or waiver of any  
18                   State consumer lending protections for the ben-  
19                   efit of residents of the State on the basis of  
20                   nonresident or military status of a covered  
21                   member or dependent of such a member, re-  
22                   gardless of the member’s or dependent’s domi-  
23                   cile or permanent home of record.

1       “(e) LIMITATIONS.—It shall be unlawful for any  
2 creditor to extend consumer credit to a covered member  
3 or a dependent of such a member with respect to which—

4           “(1) the creditor rolls over, renews, repays, refi-  
5 nances, or consolidates any consumer credit ex-  
6 tended to the borrower by the same creditor with the  
7 proceeds of other credit extended to the same cov-  
8 ered member or a dependent;

9           “(2) the borrower is required to waive the bor-  
10 rower’s right to legal recourse under any otherwise  
11 applicable provision of State or Federal law, includ-  
12 ing any provision of the Servicemembers Civil Relief  
13 Act;

14           “(3) the creditor requires the borrower to sub-  
15 mit to arbitration or imposes onerous legal notice  
16 provisions in the case of a dispute;

17           “(4) the creditor demands unreasonable notice  
18 from the borrower as a condition for legal action;

19           “(5) the creditor uses a check or other method  
20 of access to a deposit, savings, or other financial ac-  
21 count maintained by the borrower, or the title of a  
22 vehicle as security for the obligation;

23           “(6) the creditor requires as a condition for the  
24 extension of credit that the borrower establish an al-  
25 lotment to repay an obligation; or

1           “(7) the borrower is prohibited from prepaying  
2           the loan or is charged a penalty or fee for prepaying  
3           all or part of the loan.

4           “(f) PENALTIES AND REMEDIES.—

5           “(1) MISDEMEANOR.—A creditor who know-  
6           ingly violates this section shall be fined as provided  
7           in title 18, or imprisoned for not more than one  
8           year, or both.

9           “(2) PRESERVATION OF OTHER REMEDIES.—  
10          The remedies and rights provided under this section  
11          are in addition to and do not preclude any remedy  
12          otherwise available under law to the person claiming  
13          relief under this section, including any award for  
14          consequential and punitive damages.

15          “(3) CONTRACT VOID.—Any credit agreement,  
16          promissory note, or other contract prohibited under  
17          this section is void from the inception of such con-  
18          tract.

19          “(4) ARBITRATION.—Notwithstanding section 2  
20          of title 9, or any other Federal or State law, rule,  
21          or regulation, no agreement to arbitrate any dispute  
22          involving the extension of consumer credit shall be  
23          enforceable against any covered member or depend-  
24          ent of such a member, or any person who was a cov-

1       ered member or dependent of that member when the  
2       agreement was made.

3       “(g) **SERVICEMEMBERS CIVIL RELIEF ACT PROTEC-**  
4 **TIONS UNAFFECTED.**—Nothing in this section may be  
5 construed to limit or otherwise affect the applicability of  
6 section 207 of the Servicemembers Civil Relief Act (50  
7 U.S.C. App. 527).

8       “(h) **REGULATIONS.**—(1) The Secretary of Defense  
9 shall prescribe regulations to carry out this section.

10       “(2) Such regulations shall establish the following:

11           “(A) Disclosures required of any creditor that  
12 extends consumer credit to a covered member or de-  
13 pendent of such a member.

14           “(B) The method for calculating the applicable  
15 annual percentage rate of interest on such obliga-  
16 tions, in accordance with the limit established under  
17 this section.

18           “(C) A maximum allowable amount of all fees,  
19 and the types of fees, associated with any such ex-  
20 tension of credit, to be expressed and disclosed to  
21 the borrower as a total amount and as a percentage  
22 of the principal amount of the obligation, at the time  
23 at which the transaction is entered into.

24           “(D) Definitions of ‘creditor’ under paragraph  
25 (5) and ‘consumer credit’ under paragraph (6) of

1 subsection (i), consistent with the provisions of this  
2 section.

3 “(E) Such other criteria or limitations as the  
4 Secretary of Defense determines appropriate, con-  
5 sistent with the provisions of this section.

6 “(3) In prescribing regulations under this subsection,  
7 the Secretary of Defense shall consult with the following:

8 “(A) The Federal Trade Commission.

9 “(B) The Board of Governors of the Federal  
10 Reserve System.

11 “(C) The Office of the Comptroller of the Cur-  
12 rency.

13 “(D) The Federal Deposit Insurance Corpora-  
14 tion.

15 “(E) The Office of Thrift Supervision.

16 “(F) The National Credit Union Administration

17 “(G) The Treasury Department.

18 “(i) **DEFINITIONS.**—In this section:

19 “(1) **COVERED MEMBER.**—The term ‘covered  
20 member’ means a member of the armed forces who  
21 is—

22 “(A) on active duty under a call or order  
23 that does not specify a period of 30 days or  
24 less; or

25 “(B) on active Guard and Reserve Duty.

1           “(2) DEPENDENT.—The term ‘dependent’, with  
2       respect to a covered member, means—

3                   “(A) the member’s spouse;

4                   “(B) the member’s child (as defined in sec-  
5       tion 101(4) of title 38); or

6                   “(C) an individual for whom the member  
7       provided more than one-half of the individual’s  
8       support for 180 days immediately preceding an  
9       extension of consumer credit covered by this  
10      section.

11           “(3) INTEREST.—The term ‘interest’ includes  
12      all cost elements associated with the extension of  
13      credit, including fees, service charges, renewal  
14      charges, credit insurance premiums, any ancillary  
15      product sold with any extension of credit to a  
16      servicemember or the servicemember’s dependent, as  
17      applicable, and any other charge or premium with  
18      respect to the extension of consumer credit.

19           “(4) ANNUAL PERCENTAGE RATE.—The term  
20      ‘annual percentage rate’ has the same meaning as in  
21      section 107 of the Truth and Lending Act (15  
22      U.S.C. 1606), as implemented by regulations of the  
23      Board of Governors of the Federal Reserve System.  
24      For purposes of this section, such term includes all  
25      fees and charges, including charges and fees for sin-



1       gle premium credit insurance and other ancillary  
2       products sold in connection with the credit trans-  
3       action, and such fees and charges shall be included  
4       in the calculation of the annual percentage rate.

5           “(5) CREDITOR.—The term ‘creditor’ means a  
6       person—

7           “(A) who—

8               “(i) is engaged in the business of ex-  
9               tending consumer credit; and

10               “(ii) meets such additional criteria as  
11               are specified for such purpose in regula-  
12               tions prescribed under this section; or

13               “(B) who is an assignee of a person de-  
14               scribed in subparagraph (A) with respect to any  
15               consumer credit extended.

16           “(6) CONSUMER CREDIT.—The term ‘consumer  
17       credit’ has the meaning provided for such term in  
18       regulations prescribed under this section, except that  
19       such term does not include (A) a residential mort-  
20       gage, or (B) a loan procured in the course of pur-  
21       chasing a car or other personal property, when that  
22       loan is offered for the express purpose of financing  
23       the purchase and is secured by the car or personal  
24       property procured.”.

1 (b) CLERICAL AMENDMENT.—The table of sections  
2 at the beginning of such title is amended by adding at  
3 the end the following new item:

“987. Terms of consumer credit extended to members and dependents: limita-  
tions.”.

4 (c) EFFECTIVE DATE.—

5 (1) IN GENERAL.—Except as provided in para-  
6 graph (2), section 987 of title 10, United States  
7 Code, as added by subsection (a), shall take effect  
8 on October 1, 2007, or on such earlier date as may  
9 be prescribed by the Secretary of Defense, and shall  
10 apply with respect to extensions of consumer credit  
11 on or after such effective date.

12 (2) AUTHORITY TO PRESCRIBE REGULA-  
13 TIONS.—Subsection (h) of such section shall take ef-  
14 fect on the date of the enactment of this Act.

15 (3) PUBLICATION OF EARLIER EFFECTIVE  
16 DATE.—If the Secretary of Defense prescribes an ef-  
17 fective date for section 987 of title 10, United States  
18 Code, as added by subsection (a), earlier than Octo-  
19 ber 1, 2007, the Secretary shall publish that date in  
20 the Federal Register. Such publication shall be made  
21 not less than 90 days before that earlier effective  
22 date.

23 (d) INTERIM REGULATIONS.—The Secretary of De-  
24 fense may prescribe interim regulations as necessary to

1 carry out such section. For the purpose of prescribing  
2 such interim regulations, the Secretary is excepted from  
3 compliance with the notice-and-comment requirements of  
4 section 553 of title 5, United States Code. All interim  
5 rules prescribed under the authority of this subsection  
6 that are not earlier superseded by final rules shall expire  
7 no later than 270 days after the effective date of section  
8 987 of title 10, United States Code, as added by this sec-  
9 tion.

10 **SEC. 671. ENHANCEMENT OF AUTHORITY TO WAIVE CLAIMS**  
11 **FOR OVERPAYMENT OF PAY AND ALLOW-**  
12 **ANCES AND TRAVEL AND TRANSPORTATION**  
13 **ALLOWANCES.**

14 (a) **MAXIMUM WAIVER AMOUNT; TIME FOR EXER-**  
15 **CISE OF AUTHORITY.**—Section 2774 of title 10, United  
16 States Code, is amended—

17 (1) in subsection (a)(2)(A), by striking  
18 “\$1,500” and inserting “\$10,000”; and

19 (2) in subsection (b)(2), by striking “three  
20 years” and inserting “five years”.

21 (b) **CONFORMING AMENDMENTS REGARDING NA-**  
22 **TIONAL GUARD.**—Section 716 of title 32, United States  
23 Code, is amended—

24 (1) in subsection (a)(2)(A), by striking  
25 “\$1,500” and inserting “\$10,000”; and